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**Finance Committee**

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**HB 2248**

**Brief Description:** Concerning a sales and use tax exemption of the nonhighway use of propane by farmers.

**Sponsors:** Representatives Ericks and Armstrong.

**Brief Summary of Bill**

- Exempts 50 percent of the selling price of propane fuel used by farmers for non-highway farm activities from the sales and use tax.

**Hearing Date:** 2/27/09

**Staff:** Joseph Archuleta (786-7192)

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. If retail sales taxes were not collected when the property or services were acquired by the user, then use taxes apply to the value of most tangible personal property and some services when used in this state, . Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. The state tax is deposited into the State General Fund. Depending on the location, local tax rates vary from 0.5 percent to 2.4 percent. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Propane and natural gas sold to farmers to heat structures used to house chickens are exempt from sales and use tax.

Diesel and aircraft fuel used by farmers for non-highway farm activities is exempt from sales and use tax. The exemption also covers diesel and aircraft fuel used for soil preparation services, crop cultivation services, and crop harvesting services. The exemption does not cover fuel used for home heating. The exemption does not include propane fuel.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill:**

Sections one and two of the bill exempts 50 percent of the selling price of propane fuel used by farmers for non-highway farm activities from the sales and use tax . The exemption does not cover fuel used for home heating. The exemption is in the form of a refund that the buyer must apply for directly to the Department of Revenue within three months from the purchase of the propane fuel.

Sections three and four of the bill creates a full sales and use tax exemption of propane fuel used by farmers for non-highway farm activities. The exemption does not cover fuel used for home heating.

As of July 1, 2011, if the refunds for this exemption for the prior three fiscal years cost less than the final fiscal note prepared for this bill, then sections one and two will expire on January 1, 2012 and trigger sections three and four of this bill to take effect on January 1, 2012.

However, if on July 1, 2011, the refunds for sections one and two for the prior three fiscal years cost in excess of the final fiscal note prepared for this bill then the entire act will expire on January 1, 2012.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill contains an emergency clause for sections one and two of the act and takes effect July 1, 2009.